

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 INRE-00  
CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00 INR-07  
NSAE-00 EPG-02 FAA-00 SS-15 NSC-05 L-03 /054 R

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON IMMEDIATE

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E.O. 11652: N/A

TAGS: EAIR, US, UK

SUBJECT: U.S.-U.K. CIVIL AIR NEGOTIATIONS: USER CHARGES

1. FOLLOWING IS PROPOSED PAPER ON USER CHARGES CONCURRED  
IN BY STATE AND DOT FOR DELIVERY TO BRITISH DEL. IT  
CONSTITUTES REPLY TO BRITISH PAPER ON BAA PEAK PRICING  
POLICY OF APRIL 13.

A. THE UNITED STATES HAS REVIEWED THE PAPER ON THE  
BRITISH AIRPORT AUTHORITY (BAA) PEAK PRICING POLICY  
PRESENTED BY THE UK AUTHORITIES ON APRIL 13, 1977, AND  
BELIEVES THAT THIS PAPER REPRESENTS A USEFUL CLARIFICATION  
OF THE DIFFERENCES BETWEEN OUR GOVERNMENTS. HOWEVER, A  
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NUMBER OF QUESTIONS REMAIN. WE HAVE INCLUDED SEVERAL OF  
THEM IN THIS PAPER, BUT WE SUGGEST THAT A MORE PROFITABLE  
DISCUSSION OF THE ISSUES WOULD BE OBTAINED THROUGH THE  
FORMATION OF A U.S.-U.K. TECHNICAL WORKING GROUP COMPOSED  
OF GOVERNMENT EXPERTS. THIS GROUP COULD MEET TOWARDS THE  
END OF THE PRESENT ROUND OF NEGOTIATIONS. UNTIL WE CAN  
ASCERTAIN THAT THE BAA CHARGES ARE NEITHER EXCESSIVE NOR

OTHERWISE DISCRIMINATORY THE U.S.G. CANNOT ACCEPT THE U.K. PROPOSAL TO RETURN THIS MATTER OF THE BAA AND THE AIRLINES.

B. WE HOPE THAT THE COOPERATION AND GOODWILL EXTENDED BY THE UNITED STATES ON THE SAN JUAN AIRPORT USER CHARGE QUESTION CAN BE REFLECTED IN OUR DISCUSSIONS ON THIS ISSUE.

C. WE CONTINUE TO FEEL THAT A DEFINITION OF A PEAK THAT LOOKS ALMOST EXCLUSIVELY TO THE PEAK AT HEATHROW'S TERMINAL III IN EFFECT DISCRIMINATES AGAINST USERS OF THAT TERMINAL.

D. THE U.S. CARRIERS CONTINUE TO FEEL THAT THEY CAN ONLY OPERATE DURING PEAK HOURS.

E. THE U.S. IS PARTICULARLY CONCERNED AT THE BRITISH RELUCTANCE TO PHASE OUT FLIGHT LENGTH COMPLETELY AS A DETERMINANT OF USER CHARGES. THE U.S. BELIEVES STRONGLY THAT A REASONABLE AND EQUITABLE SYSTEM OF CHARGES SHOULD BE BASED UPON THE COST OF PROVIDING THE SERVICES AND FACILITIES TO THE USERS. THE BRITISH PAPER SEEMS IMPLICITLY TO ACCEPT THAT VIEW. FLIGHT LENGTH PER SE HAS NO RELATIONSHIP TO AIRPORT COSTS AND COLLECTS UNFAIRLY FROM THOSE CARRIERS WITH LONG-HAUL FLIGHTS. THE U.S. HAS ALREADY FOUND THIS ASPECT OF THE BAA CHARGES TO BE DISCRIMINATORY. CAN THE U.K. PROMISE US THAT THE FLIGHT LENGTH FACTOR WILL BE COMPLETELY ELIMINATED BY APRIL 1, 1978?

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F. TECHNICAL QUESTIONS:

1. IS THE INTENT OF THE BAA'S PEAK-PRICING POLICY TO RECOVER FROM THOSE WHO USE THE BAA'S FACILITIES DURING PEAK PERIODS THE COST OF THE ADDITIONAL FACILITIES REQUIRED, OR IS IT TO IMPROVE AIRPORT UTILIZATION BY MOVING SOME PEAK USERS TO OFF-PEAK PERIODS?

2. WE WOULD APPRECIATE A MORE DETAILED STATEMENT OF OFF-PEAK COSTS AND REVENUES AT HEATHROW TO SUBSTANTIATE THE U.K. STATEMENT THAT NON-PEAK REVENUES ARE SUFFICIENT TO COVER OPERATING AND MAINTENANCE COSTS.

3. WHAT METHODOLOGY OR CRITERIA WAS EMPLOYED TO ASSIGN U.S. AIR CARRIERS 35 PER CENT OF HEATHROW'S LONG-HAUL CARRIER'S COST? DON'T THE MEASURES OF USE AT THE BOTTOM OF ANNEX 2 SUGGEST U.S. AIR CARRIER UTILIZATION EQUALS SOMETHING IN THE RANGE OF 25-30 PER CENT?

4. WHAT IS THE BREAKDOWN OF U.S. AIR CARRIER OF LANDING  
AND PARKING FEE REVENUE?

5. WHAT IS THE RATIONALE FOR EXCLUDING RENTAL AND  
SERVICE INCOME FROM THE REVENUES GIVEN IN THE U.K.  
PAPER OF APRIL 13?

6. DOES THE ITEM LABELED 4 PER CENT RETURN ON GROSS  
ASSET VALUE REPRESENT AN ECONOMIC INTEREST OR  
OPPORTUNITY COST FOR CAPITAL?

7. IF THE ATTRIBUTION OF COSTS INCLUDES AN ENTRY FOR  
PURELY ECONOMIC COSTS (THE 4 PER CENT RETURN ON GROSS  
ASSETS) DOES THE CALCULATION OF REVENUES INCLUDE  
ECONOMIC REVENUES OR BENEFITS?

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8. WOULD THE U.K. AGREE THAT THE 10:00 TO 10:59 WINDOW  
HAS PROVED TO BE OF INSIGNIFICANT VALUE TO THE CARRIERS?  
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## Message Attributes

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